

6 September 2023

Financial Services | Banks

Banks

Neutral (Maintained)

GX Bank Receives Nod To Begin Operations

- GX Bank first off the block.** According to news reports, GX Bank (GXB) has received approval from the Ministry of Finance and Bank Negara Malaysia (BNM) to commence operations (effective 1 Sep 2023). This makes GXB the first of the five digital bank license holders to start operations ahead of BNM's Apr 2024 deadline. Recall that GXB is led by Grab-Singtel, together with consortium partners such as the Kuok Group. GXB has stated that it expects to target the underserved or unbanked segments such as gig economy workers and small businesses.
- Taking cues from GXS Bank's (GXS) launch.** Given that Singapore's GXS has been operating for almost a year, we took a quick look at its playbook for cues as to what we can expect from GXB.
- Expect deposits to offer attractive rates and features...** GXS started off by offering depositors 0.08% interest in its regular savings and an additional 3.48% for its "saving pockets" accounts, which allows depositors to create up to eight pockets of time deposits from their savings accounts to save for specific financial goals. Apart from offering better rates than some high-interest savings accounts, the features that made GXS' deposit product attractive were: i) No minimum deposit amount; ii) no maintenance fees; and iii) no tiered interest rate structure – essentially a fuss-free product.
- ...followed by micro loans.** In 2Q23, GXS began offering instant micro loans. From the GXS app, users can apply for loans with ticket sizes from SGD200 with tenures as short as two months. Interest rates start from 3.8% pa (effective rate of 7.15%, calculated daily).
- Savings product was well received...** Reportedly, all available slots for its savings accounts were taken up "within months" of the product launch, although Singapore digital banks were initially limited to raising SGD5,000 per depositor on its savings accounts. Since then, the maximum deposit has been raised to SGD75,000 per account, which is the level covered by the local deposit insurance scheme.
- ...but all good things come to an end.** Last month, it was reported that GXS had cut its rate on its saving pockets to 2.68%. However, it raised its rate on the main account to 2.38%. These new rates appear to be within the range of rates offered by Singapore banks on high-interest savings accounts, albeit without the bonus interest requirement constraints.
- What can we expect for GXB's launch in Malaysia?** For starters, we think the features of GXB's deposit product could be similar to that of GXS, and we believe it will be well received. That said, given the MYR3bn cap to asset size during the foundational phase, the potential deposits that could migrate from conventional banks to digibanks should not be material (<1% of total deposits) in the initial years. We did not notice any significant deposit competition among Singapore banks last year, and given the estimated deposit market share up for grabs here, deposit competition should be under control as well. The key question is whether incumbent banks will stay rational.

Stocks Covered 8
 Rating (Buy/Neutral/Sell): 4 / 4 / 0
 Last 12m Earnings Revision Trend: Negative

Top Picks

	Target Price
CIMB (CIMB MK) – BUY	MYR6.88
Hong Leong Bank (HLBK MK) – BUY	MYR23.20
AMMB (AMM MK) – BUY	MYR4.20

Analysts

David Chong CFA
 +603 9280 2026
david.chongvc@rhbgroup.com



Nabil Thoo
 +603 9280 8890
nabil.thoo@rhbgroup.com



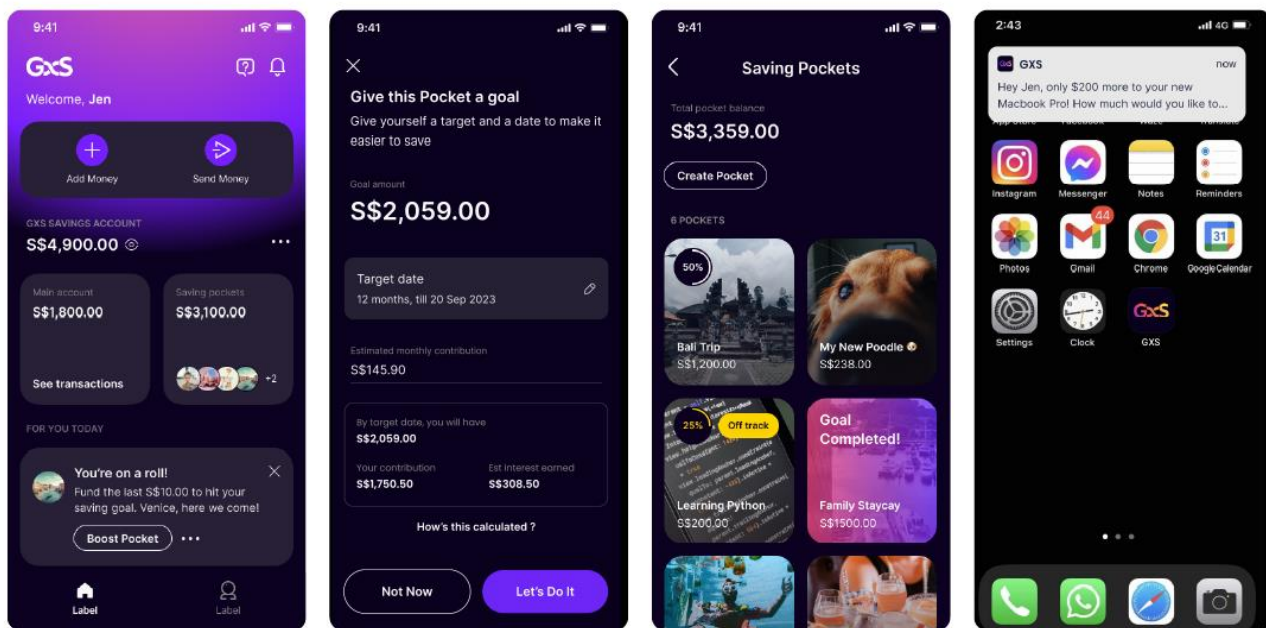
Wan Muhammad Ammar Affan
 +603 9280 8871
ammaraffan@rhbgroup.com



Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Affin	Buy	2.20	4.3	7.8	0.4	5.5	7.1
Alliance Bank Malaysia	Neutral	3.50	2.3	7.9	0.7	9.4	6.4
AMMB	Buy	4.20	14.1	6.9	0.6	8.8	5.9
BIMB	Neutral	2.10	(0.9)	7.8	0.5	7.2	5.1
CIMB	Buy	6.88	21.8	8.7	0.9	10.3	6.4
Hong Leong Bank	Buy	23.20	16.6	9.8	1.1	11.3	3.2
Malayan Banking	Neutral	9.80	7.3	11.2	1.2	10.9	6.9
Public Bank	Neutral	4.40	3.5	11.8	1.4	12.5	4.5

Source: Company data, RHB

Figure 1: GXS app – not your typical mobile banking app



Source: Fintech News Singapore, RHB

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

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RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470